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Arizona Corporation Commission

TO: THE COMMISSION

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AZ CORPORATION COM
DOCKET CONTROL

FROM: Utilities Division

JUN 27 2014

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DATE: June 27, 2014

DOCKETED BY

RE: COST-EFFECTIVENESS REVIEW OF MEASURES PROPOSED IN MORENCI
WATER AND ELECTRIC COMPANY'S ENERGY EFFICIENCY
IMPLEMENTATION PLAN (DOCKET NO. E-01049A-13-0160)

INTRODUCTION

On May 31, 2013, Morenci Water and Electric Company ("MWE" or "Company") filed an application with the Arizona Corporation Commission ("Commission") requesting approval of its 2014-2015 Energy Efficiency Implementation Plan ("EE Plan") and its Energy Efficiency Adjustment Mechanism ("EEAM") Rate. On February 26, 2014, in Decision No. 74368, the Commission approved the EE Plan with modifications. Decision No. 74368 required Commission Utilities Division Staff ("Staff") to re-calculate the cost effectiveness of all of MWE's EE Plan's measures, review any new measures MWE proposed for its 2014-2015 EE Plan, and file a report and recommendations by June 27, 2014.

Decision No. 74368 further ordered that the Energy Efficiency Adjustor Mechanism rate remain at \$0.00245 per kWh for residential and non-mining non-residential customers, and \$650 per month for mining operations at Morenci and Safford mining sites, and is subject to early reset based on Staff's report of cost-effectiveness of all of the measures.

EE PLAN OVERVIEW

The Company's EE Plan filed May 31, 2013, did not add any new measures. Decision No. 74368 directed Staff to evaluate the existing measures and report Staff's recommendations regarding cost effectiveness. The list below describes those measures.

A. Compact Fluorescent Lamp ("CFL") Program*Current Program*

Morenci's CFL Program is intended to increase use and expand the availability of CFLs in its service territory.

Proposed Budget

The approved annual budget is \$3,800 for this program. According to the DSM Program Report filed by the Company on March 3, 2014, the actual expenses incurred in 2013 for this program were \$1,311.57.

Recommendations

The CFL Program is comprised of one measure which Staff has found to have a benefit-cost ratio of 1.68. MWE was delayed in launching this program in 2013, which accounts for lower than expected actual program expenses. Staff recommends continuation of the CFL Program along with approval of the current budget of \$3,800.

B. Appliance Recycling Program

Current Program

This program is designed to remove and recycle inefficient yet functioning refrigerators and freezers.

Proposed Budget

The approved annual budget is \$1,750 for this program. According to the DSM Program Report filed by the Company on March 3, 2014, the Company had difficulty securing a contractor to pick up appliances which delayed implementation of the program. A contractor was secured in mid-2013. As of March 2014, no costs had yet been incurred for the program.

Recommendations

The Residential Appliance Recycling Program is comprised of one measure which Staff has found to have a benefit-cost ratio of 2.15. Staff recommends continuation of the Residential Appliance Recycling Program along with approval of the existing budget of \$1,750.

C. Low Income Weatherization Program

Current Program

This program is designed to improve the energy efficiency of homes for customers whose income falls within the defined federal poverty guidelines.

Proposed Budget

The approved annual budget is \$16,500 for this program. According to the DSM Program Report filed by the Company on March 3, 2014, the Company has secured assistance from the Southeastern Arizona Community Action Program to implement the program, but has not yet had any customer participation.

Recommendations

The Residential Low Income Weatherization Program is found to have a benefit-cost ratio of 1.03. Staff recommends continuation of the Residential Low Income Weatherization Program at the currently approved budget level of \$16,500.

D. Education & Outreach Program

Staff's review of this program did not include a cost-benefit analysis since this is an educational program. Measuring results of educational conservation programs is difficult because the goal of these programs is to change behavior. Staff supports educating consumers as to the methods and benefits of energy conservation, but it is difficult to know the direct results of such education. Staff has recommended the Commission approve the Education and Outreach program with a budget of \$1,050.

E. Cost Effectiveness Summary

The table below itemizes the Benefit/Cost ratios of each program.

Program	Benefit/Cost Ratio
CFL	1.68
Appliance Recycling	2.15
Low Income Weatherization	1.03
Education and Outreach	N/A

BUDGET

	Current Budget	Staff-Proposed Budget
<u>Residential Programs</u>		
CFL Program	\$3,800	\$3,800
Appliance Recycling	\$1,750	\$1,750
Low Income Weatherization	\$16,500	\$16,500
Education and Outreach	\$1,050	\$1,050
Total	\$23,100	\$23,100

The above table details MWE's current energy efficiency budget and Staff's recommended budget. Staff recommends approval of the Staff-proposed budget as shown above, \$23,100.

EEAM RATE

Decision No. 74368 set the current EEAM Rate at \$0.00245 per kWh for residential and non-mining non-residential customers, and \$650 per month for mining operations at Morenci and Safford mining sites. The Decision further directed Staff to re-evaluate the current EEAM Rate after re-calculating the cost-effectiveness of MWE's currently approved energy efficiency measures.

Staff's benefit-cost analysis has found all of Morenci's proposed EE programs cost effective, and because no program changes are recommended, Staff also recommends continuation of MWE's current EEAM Rate.



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THE COMMISSION

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